



Proposed Changes to the Moderately Priced Unit Program (MPDU) & Accessory Apartment/Dwelling Units Requirements

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Introduction: What and Why

What: Propose changes to the two existing land use tools: the Moderately Priced Dwelling Units (MPDU) program and regulations on accessory dwelling units (ADUs).

Why: Mayor and Council directed staff to identify housing tools and strategies to help address Rockville's housing needs—specifically, housing that is affordable.



Introduction: Goals of this Work Session


Where Are We Now?

Review current housing policy and regulations

What Will We Be in the Future?

Discuss finding of the housing study on estimated future housing demand

How Will We Get There?

- Explore and develop new strategies
 - Update existing policy to encourage creation of more housing opportunities and preserve the current affordable housing stock
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Introduction: Presentation Structure

Two Parts to this presentation:


Part I: Proposed changes to the MPDU
program

Part II: Proposed changes Regulations for
Accessory Apartments and Accessory
Dwelling Unit


Part I: Proposed Changes to the MPDU Program

Objectives of Proposed MPDU Changes

Program modification recommendations were made in the 2016 housing study, including:

- Create sliding scale affordability requirements—**Complete**
 - Increase and improve monitoring--In Progress
 - Revise price/income thresholds for ownership units—Proposed
 - Increase Production—Proposed
 - Lengthen affordability term (rental component from 30 to 99 years or in perpetuity)—future proposal
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Introduction: 2016 Housing Study findings

- More than **10,000** housing total units will be needed in Rockville over the next 25 years. Of these, **5,161** units are needed for households below 80% of the Area Median Income (AMI)—\$93,800
 - Significant demand for housing among **higher-income households** (incomes of 100%+ AMI)—**3,715** units
 - Substantial demand for **seniors** housing in Rockville—**5,086** of which **2,785** will have incomes below 80% of AMI
 - The greatest demand is for single-family housing
 - If housing demands cannot be met, households will either shift their housing preferences (i.e, condos; multifamily) or choose to live elsewhere
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Objectives of Proposed MPDU Changes

The proposed changes will help effectuate the recommendations by:

- Improving the stewardship of the MPDU program
- Repositioning of the MPDU program to better meet the housing needs as it was designed.



Background/Current MPDU Policy

1. Control period is 30 years for MPDU units.
 2. Rentals of MPDUs is permitted under certain conditions, excluding financial hardship.
 3. Units cannot be sold above MPDU control prices within 30 years of control period.
 4. Current minimum income requirement of \$22,000—an income that is insufficient to secure any mortgage or afford MPDU rents.
 5. MPDU rents are set at 60% of AMI. No sliding scale to account for the minimum income of \$22,000
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Background/Current MPDU Policy

6. Only developments of 50 or more units are required to produce MPDU units or pay in-lieu fees


7. MPDU unit set-aside ranges between 12.5% to 15%, depending on the zoning

8. Full credit given to owners of MPDUs for a wide range of improvements—which sometime make the units unaffordable for the next qualified buyer


9. Application intake and eligibility determination for an MPDU certificate is conducted in-house




Proposed Changes—Housing Units Production

1. Require MPDUs for residential developments of 20 units or more, and require the option for fee-in-lieu payments for development with less than 50 units
 2. Increase the requirement for MPDUs to 15% of the project's total unit count throughout the City
 3. Eliminate current policy of allowing “fair market value of improvements made” on homeownership MPDUs
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Proposed Changes—Improved Stewardship

1. Reduce the control period from the current 30 years to 15 years at minimum for certain types of units—i.e., condos
 2. Allow for the leasing of ownership MPDUs for a period of up to 36 months
 3. Permit unrestricted resale of certain condominium-type MPDUs under certain conditions within the control period
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Proposed Changes—Improved Stewardship


4. Increase the current minimum income requirement from \$22,000 to \$49,000, adjusted for household size
 5. Set the minimum MPDU income requirements for the rental component to equal 2.5 times the MPDU rents for the specific unit size
 6. Turn over the MPDU application intake and eligibility process for the rental units to property managers
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Proposed Changes—Improved Stewardship


- 1. Reduce the control period from the current 30 years to 15 years at minimum for certain types of units—i.e., condos**
 - a. Condos are typically an entry into homeownership for many first time buyers (typical MPDU owner)
 - b. Owners may outgrow their units requiring them to relocate
 - c. Creates an housing opportunity for a new owner seeking an entry into homeownership

- 2. Allow for the leasing of ownership MPDUs for a period of up to 36 months**
 - a. Allows owners of MPDUs time to figure out what to do with their MPDU unit—sale or stay in it
 - b. Temporarily increases the affordable housing stock thereby creating an opportunity for a household—rents wouldn't exceed MPDU rent.
 - c. Improved controls of unpermitted rentals of MPDUs

Proposed Changes—Improved Stewardship

3. **Permit unrestricted resale of certain condominium-type MPDUs under certain conditions within the control period**
 - a. Condo buildings that lack or lose FHA certification
 - b. Condos buildings that are not warrantable
 - c. Units that have become unaffordable because of current policy that has allowed credit for improvements
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Proposed Changes—Improve Stewardship

- 4/5. Set the minimum MPDU income requirements for the rental component to equal 2.5 times the MPDU rents for the specific unit size**
- a. Aligns the rent calculation with affordability
 - b. Helps streamline the review and approval process for certificate holders
 - c. Sets real expectations for certificate holders ability to qualify for an MPDU
- 6. Turn over the MPDU application intake and eligibility process for the rental units to property managers.**
- a. Eliminates duplication in application processing.
 - b. Sets real expectations on certificate holders ability to qualify for an MPDU
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Proposed Changes—Housing Units Production

- 1. Require MPDUs for residential developments of 20 units or more, and require the option for fee-in-lieu payments for development with less than 50 units**
 - a. ensures that smaller projects are captured—through units production or in-lieu
 - b. consist with similar Montgomery County requirements
- 2. Increase the requirement for MPDUs to 15% of the project's total unit count throughout the City**
 - a. Creates a few more units throughout the City
- 3. Eliminate “fair market value of improvements made”**
 - a. Provides MPDU owners credit up to 10% of control price for improvements
 - b. Encourages homeowners to maintain the unit
 - c. Maintains affordable of unit

Next Steps

- If proposed changes are satisfactory, Mayor and Council can direct staff to make changes to the MPDU Ordinance and related Regulations for introduction

Part II: Accessory Dwelling Units

<https://accessorydwellings.org/video-introduction/>

Sample Accessory Apartments/ADUs



An ADU attached to an older single-family home. Courtesy of Kol Peterson
Source: <https://accessorydwellings.org>



Detached ADU.



Repurposed Space “internal unit”
Source: <https://accessorydwellings.org>



Advantages of ADU

- Source of low-cost housing for small households
- Income to owners of single-family home owners
- Less expensive than providing affordable units in big development projects
- No public subsidy required because costs are borne by owner
- With good design guidelines, can allow for neighborhood to maintain desired characteristics



ADU Requirements in Other Places

Accessory Apartments/Dwelling Units Requirements in Other Communities					
	By Right	Unit Size	Building Height	Residents /ADU Unit	Setbacks & Orientation
Montgomery County, MD	Yes for Attached	<50% of total floor area; 1,200 sq. ft. max.	20 Ft.	2	Detached - Rear yard; 5 ft. side, 20 ft. rear
Washington, DC	Yes	35% of Principal Dwelling	N/A	3	N/A--only speaks to location in relation to ally.
City of Frederick, MD	No for Attached	Subordinate to Main Dwelling	50% of existing dwelling	N/A	N/A


Rockville's ADU Requirements

Accessory apartments are allowed by Special Exception

- Only internal and attached units are permitted with Special Exception
- Detached are prohibited
- Fairly restrictive standards and a relatively lengthy and costly process
 - Permit for accessory building cost \$3,750 (including special exception permit; preapplication fee, and a sign fee)
 - Could take up to 60 days for approval

Proposed Solution for ADUs

Create a more streamlined approval process for attached and detached ADUs within a single-family home as follows:

- Allow By-Right for both attached and detached units—simple registration of unit with City's Code enforcement division
 - Reduce the permit fee
 - Revise standards for accessory buildings—footprint, height, and floor area
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Next Steps

Should the Mayor and Council direct staff to draft legislation that would effectuate the recommendations, staff will proceed accordingly and bring back to the Mayor and Council the draft legislation.

